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27 February 1985

MEMORANDUM FOR: Chief, Technology Transfer Assessment
Center/DDI

Associate General Counsel for Intelligence
Community Affairs/OGC

FROM:


Deputy Chief, Legislation Division/OLL

SUBJECT: Export Administration, Status Check (H.R. 28)

1. Showing dispatch and unanimity, the Subcommittee on International Economic Policy and Trade of the House Foreign Affairs Committee voted its approval of H.R. 28 and sent it to the full Committee. A mark-up is scheduled for March 21st, after which the bill will proceed to the floor of the House.

2. Yesterday, the Subcommittee considered three amendments deleting controversial portions of the proposed legislation: (1) Title III dealing with South African trade restrictions; (2) a provision concerning Department of Defense review of technology export licenses; and (3) a nuclear non-proliferation provision. No new material was added to the bill. According to statements by members of the Subcommittee, the non-proliferation issue and the South African restrictions will be the subject of separate legislation.

3. Defense is unhappy about the removal of its license review authority, but expects to receive more sympathetic treatment in the Senate.

4. Attached herewith is an editorial from The Washington Post that appeared the morning of the mark-up. Also attached is a recap of the mark-up, appearing in the Post business section the following day.

Attachments:
As stated

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OLL:LEG:JBM:dpt (27 Feb 85)

A20 THURSDAY, FEBRUARY 8, 1985

THE WASHINGTON

The Washington Post

AN INDEPENDENT NEWSPAPER

Counterattack by Commerce

FED UP WITH years of needling from the Pentagon, Secretary of Commerce Malcolm Baldrige has now struck back—and rather effectively. As an example of turf warfare in Washington, the affair is turning into a classic. It revolves around the leakage of technology to the Soviet Union—and the question of who is more vigilantly anti-Soviet than whom.

The first territorial aggression was committed, as you would expect, by the Defense Department when it charged the Commerce Department with carelessness in issuing export licenses for technical equipment that the Soviets could put to military use. The suggestion was that Commerce tends to get carried away with its enthusiasm for export promotion. The obvious solution, Defense thought, was to give it some of Commerce's authority over export licensing.

Then the Pentagon's allies and admirers began to be heard from—notably the commissioner of customs, William von Raab. After each new round from Defense, Mr. von Raab warmly joined the refrain like the second tenor in an operatic sextet, on the general theme of the awful things that he was powerless to stop under present law, etc.

The Commerce Department is run by people who think of themselves as reliably to the right in their politics, and their first reaction was pure astonishment. Because of this internal quarrel, Congress deadlocked on the renewal of the Export Administration Act,

which, to the embarrassment of the White House, expired last year. In January, the Defense Department won an important victory when President Reagan finally stepped in and gave it the authority to review, with Commerce, the export applications.

Mr. Baldrige counterattacked last week, accusing Defense of allowing military and technical secrets to fall to the Soviets through routine declassification of documents. While the Pentagon has an adequate staff to duplicate Commerce's work on the export licenses, he said, it doesn't seem to have anyone overseeing the papers that are automatically being opened to the public.

This week, Commerce turned its attention to Mr. von Raab, charging that the U.S. Customs allowed a series of shipments of helicopters to continue for more than a year while knowing—without doing anything about it—that they were being illegally diverted to North Korea. The shipments ended, according to Commerce, only when it heard about them and intervened.

No doubt there's a serious issue here. American technology is crucially useful to the Soviets and their friends, and they work assiduously to obtain it. For the administration, it's a matter of balancing security requirements against the necessities of an open society with an immense flow of international trade. But all that is almost too familiar to be worth discussing. The territorial struggles within the administration are infinitely more entertaining.

The 'Transition House'

STAY AROUND the District long enough and you will notice some familiar refrains. One of those is called Accumulated Deficit. This is what city officials try to pay off every year around budget time. For a city that ultimately wants to govern itself without congressional oversight, strict belt-tightening along with payments on the deficit could be a way to demonstrate sensible fiscal policy.

Unfortunately, there always seem to be wasteful practices—procurement and printing costs, for ex-

owners throw in flourishes such as hand-finished oak on columns in the offices. Residential space comes even cheaper.

With the abundance of vacant buildings in the city, one also wonders whether other, cheaper deals could not have been made. The size of the effort, for 70 young adults who will get 90 to 120 days in the building in which to try to get settled into a career, poses another question: Why not try the program on a smaller scale first to see if it

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FRIDAY, MARCH 1, 1985

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ROUNDUP

Export Controls Approved

■ A House Foreign Affairs subcommittee yesterday reported out legislation to control exports of sensitive technology to Soviet-bloc nations after it was stripped of controversial provisions that kept it mired in a Senate-House conference last session.

Rep. Don Bonker (D-Wash.), chairman of the subcommittee on international finance and trade, said the aim is to bring identical bills to the House and Senate floors, eliminating the need for a new conference. The legislation would reinstate the Export Administration Act, which expired Sept. 30.

Eliminated from the bill approved yesterday were sanctions against South Africa and major provisions to control nuclear proliferation, both of which will be considered in separate legislation. A nuclear nonproliferation amendment giving Congress greater control over nuclear-cooperation agreements remains in the bill, even though the State Department fears it would undermine an agreement President Reagan signed with China.

Productivity Rises by 2.7% in 1984

■ The annual average productivity of nonfarm American business rose 2.7 percent during 1984, the Labor Department said yesterday.

That was not as big as the 3.5 percent average gain for 1983, but was still fairly substantial compared with annual figures for the past 10 years. Annual average productivity in manufacturing rose 4.6 percent during 1984, its largest average gain for any of the past 10 years.

For the fourth quarter of 1984 alone, revised figures showed nonfarm business productivity rose 2.9 percent, instead of 1.7 percent, as originally estimated. Unit labor costs rose 0.8 percent from the previous quarter.

Asbestos Victims Win Representation

■ A federal bankruptcy judge ruled yesterday that unknown future asbestos victims are entitled to a court-appointed legal representative in their claims against UNR Industries Inc.

The ruling by bankruptcy judge Edward B. Toles reverses a 1983 ruling against the appointment of representatives for future asbestos claimants against UNR. In that ruling, U.S. District Judge William T. Hart said there was no constitutional authority for such a representative. An attorney for a committee of plaintiffs' attorneys in the UNR case said Toles' ruling probably would be appealed.

Des Moines Register to Sell Radio Stations

■ The Des Moines Register is planning to sell several radio stations, a source familiar with the plans said yesterday.

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fort Protested as Misleading

See DOLLAR, E4, Col. 4

Foreign exchange specialists, still trying to untangle all of the details of Wednesday's European intervention, were not agreed on whether the United States had joined in the effort to bring the soaring dollar down. The consensus seemed to be that if the Federal Reserve, on one hand, and the Treasury, had intervened, it would have been a token effort. The Fed did not appear to be intervening at all yesterday. In any event, most observers see dollar, E4, Col. 4

postponed until both the PSC and C&P reissue more accurate complete notices. The demand was contained in a letter mailed yesterday to the PSC, C&P, the Council and 37 other advisory neighborhood commissions as Mayor Marion Barry. The PSC said it would not postpone the hearings, now scheduled for March 2, April 9 and August 2. However, the PSC said it but would run a newspaper advertisement considering whether to ask C&P to send out new bill inserts spelling residential rate increases. The phone company, which claims it is under no obligation to specify the residential rate in its notices, has twice in the original \$78.5 million request, instead of \$56.3 million request last August, the PSC said. The original request was reduced to \$61 million, but still lower figure. C&P presented a new rate design for the most recent adjustment. The PSC public notices residential customers who see PSC, E4, Col. 4

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